

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2381 - SB 2243

January 17, 2012

**SUMMARY OF BILL:** Authorizes the Commissioner of the Department of Transportation, subject to the approval of the State Funding Board, to enter into negotiated contracts with financial institutions for the purpose of stabilizing net expenses of the Department for the purchase of gasoline, diesel or other fuels, or net expenses of price adjustments made for fuel, bituminous materials, or other materials in the Department's construction contracts.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact - Potential cost avoidance if fuel prices increase during the term of the fuel hedging contract. Any resulting cost avoidance would be contingent on several unknown variables, such as the amount of fuel purchased, the length of the hedging contract, and the amount of fuel price increase. Given the extent of unknown variables, any future cost avoidance cannot be quantified with reasonable certainty.**

Assumptions:

- Entering into negotiated fuel hedging contracts will provide certainty to the Department regarding the exact prices that will be paid per gallon of fuel for a specific period of time.
- Potential cost avoidance if fuel prices increase during the term of the fuel hedging contract. The exact amount is contingent on several unknown variables, such as the amount of fuel purchased, the length of the hedging contract, and the amount of fuel price increase, and cannot be reasonably estimated.
- The negotiation process will not result in a significant fiscal impact to the Department.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

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